The Civil War Bankers

For North: Rothschilds' August Belmont & Company
For South: Rothschilds' Erlanger & Company

BY ELBERT O. KELSEY

THE ECONOMIC FRICTION between the trading and manufacturing interests in the northeastern states and the agricultural interests in the southern and western states, in the first half of the nineteenth century, reached a climax in 1836 when the second "Bank of the United States" was forced out of business in President Andrew Jackson's second term. The southern cotton - producing - exporting states were providing the foreign exchange which paid for the bulk of imports into the United States. Yet, the federal government persisted in taxing imports so heavily that import duties bore most of the cost of the government. This meant that the southern cotton producers were almost directly paying the whole cost of the central administration.

The well-informed people of the country, both North and South, were acutely aware of the problems, ethical as well as economic, of Negro slavery and were giving careful thought to the best way of ridding the country of its curse. It was not a sectional political issue of any serious consequence until irresponsible (and alien backed) agitators brought it forward as the moral standard needed to arouse emotions to fighting pitch.

In 1837, soon after the fate of the second Bank of the United States was sealed, it became clear for all to see that the nation refused to tolerate a nationwide bank under federal charter. Only state banks under state charters would be permitted. The European money-powers, realizing that they could no longer dominate the economy of the nation through control of a single bank of issue like the Bank of the United States, found it necessary to spread their efforts out to the state level, instead of concentrating on the federal level. So, the foreign money barons began promoting state banks in profusion—especially in the newer sections of the West and the South.

It was in 1837 that the Rothschilds sent a 21 year old Jewish-German youth to the United States as their agent.

Shortly thereafter the youth, who had assumed the name of August "Belmont," opened a banking house under that name in New York.

He at once became active in promoting state banks—especially in the southern states.

Underfinanced Banks Fail

It was not long before the rural areas were plagued by "too many banks with too little capital." Some states issued bonds to help finance the start of banks within their borders so when bank failures became epidemic many states found themselves with public debt for which they had nothing to show except deposit claims against banks which

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couldn't make them good. The bank promoters undertook to compel the states to rescue the failing banks. The states, in turn, saw little reason to further enrich the promoters. The latter then sought to persuade the federal government to intervene and either force the states to settle the claims the promoters asserted or else assume them as obligations of the United States itself!

It was that private quarrel between European money powers and some of the states—most particularly Mississippi, which was in the background while the northern and southern sections were becoming more and more obstinate over the problems of cotton exports, merchandise imports and high duties upon them. As tensions mounted the ethical issue of Negro slavery finally acted as a detonating charge which set off the Civil War explosion.

Space does not permit more than a capsuled summary of the costs of that awful conflict. In paper money it cost the Union about $3.2 billion and the Confederacy about $2.0 billion by the time the war ended, in April, 1865. The $5.2 billion total in those days was an astronomical sum. The United States debt was $2.8 billion at the war's end; the Confederacy's was more than $2.0 billion.

Of the $2.8 billion United States total, about $400 million was non-interest bearing legal tender paper money—the long famous "Greenbacks"; the rest was in interest bearing bonds and notes. The Confederacy's debt was automatically repudiated with its defeat and doubly sealed by the adoption of the Fourteenth Amendment to the Constitution.

Bonds to Finance War

The Union commissioned Jay Cooke, early in the war, to act as selling agent for its bond issues. Cooke, in turn, arranged with August Belmont, the New York agent of Rothschilds, to sell Union bonds in Europe.

The Confederacy, in 1861, sent James M. Mason to England and John Slidell to France as commissioners seeking to borrow money with which to conquer the North. John Slidell, a native New Yorker turned "Southerner," was a nephew of Belmont's wife!

In Paris, John Slidell entered into negotiations with a so-called "French" banking firm by the name of Erlanger & Company.

From New York, August Belmont kept up a rapid fire correspondence with N. M. Rothschild & Sons in London, and with Rothschild Brothers in Paris, in which every available detail of the progress of the conflict that could be obtained was relayed to his employers.

Three letters by August Belmont, all written on June 18, 1861 from New York, will illustrate:

To Secretary of the Treasury Salmon P. Chase:

"If our brave army is, as I trust and hope, victorious in its engagement with the rebels in Virginia, there will be no difficulty in negotiating large amounts of Federal stock here and in Europe."

To Baron James de Rothschild, Paris:

"As far as it lies in my power, I shall continue to give you the most accurate information on the march of events here . . ."

". . . my short visit to Washington, and the interviews which I had there with the different members of the administration, convince me more and more that the government is determined to carry on the war with utmost vigor."

To Baron Lionel de Rothschild, London:

"While I was in Washington I had a two-hour interview with our Secretary of State. Mr. Seward is clear in the position which he has taken with reference to the rebellion and the attitude into which the recognition of the Southern Confederacy, by any European Government, will place the United States . . ."

Those short extracts from only three letters written on a single day by August Belmont are enough to clearly reveal

the intimate insight into the affairs of the North the Rothschilds were able to maintain through him.

Now let us turn to the mission to Erlanger & Company in Paris of Belmont's "in-law," John Slidell.

Who, or rather *what,* was Erlanger & Company, Paris?

We can get the answer from Paul H. Emden's authorative book, *Money Powers of Europe,* (D. Appleton, Century Company, 1938), Page 397:

"Raphael (von) Erlanger, whose father migrated to Frankfort in 1816, was in his early days an employee, and subsequently the *confidential representative of the Rothschilds . . .*" (Emphasis added)

Clement Eaton's *History of the Southern Confederacy,* (MacMillan, 1954) says ". . . The contract provided for the sale of 15 million dollars of Confederate bonds, which the Erlangers were to underwrite at 77 on the basis of 100 par value and for which a purchaser could pay in installments. The bonds bore seven percent interest and were exchangeable for cotton at six pence a pound which was worth four times that price in Europe. Furthermore, the Erlangers were to receive a five percent commission for selling the bonds.

Confederate Bonds Oversubscribed

"When the issue was placed on sale in March, 1863, it was enthusiastically oversubscribed at the price of 90, chiefly by English investors. Very soon, however, the bonds began to decline alarmingly. Then the Erlangers put strong pressure on the Confederate Commissioner in London, James M. Mason, to use the receipts from the first installment in payment of the bonds to bull the market. Reluctantly he and Slidell in Paris consented, and purchased more than $7,500,000 of their own bonds. [NOTE: In passing, we might add that Slidell's daughter married Erlanger's son!] At the same time Federal agents conducted a campaign to discredit Confederate securities . . . The profits of the Erlangers from their transactions were immense; but the British friends of the South who bought the bonds lost their whole investment, and the Confederate government ultimately obtained only two and a half to three million dollars of cash . . ."

This source does not mention that one of the "Federal agents" who conducted "a campaign to discredit Confederate securities" was August Belmont. Anyone who is interested in delving more deeply into this matter should not fail to read "Letters and Speeches of August Belmont" which he published years later in defense of charges that he was guilty of double-dealing during the Civil War.

When the war ended, the Rothschilds and their banking satellites in New York and overseas, had accumulated huge amounts of bonds of the Union; bonds which had been bought only after the assurance of Union victory was passed to London and Paris by Belmont. His letters to his powerful patrons abroad told them precisely when the doom of the Confederate cause was sealed and told them, in so many words *when it was safe to risk betting against the Confederacy!*

Federal Bank System Created

The task of the North in financing their wartime expenditures led to creation of the National Banking System by an Act of Congress passed in February 1863. Under the provisions of that Act, the then existing bank note issues of state chartered banks were subjected to a severe tax; and federal chartered new National Banks could issue national banknotes up to 90 percent of the par, or market, value of United States bonds which they bought and deposited with the Comptroller of the Currency of the United States. The National Bank Act was bad in many ways, not the least of which was its provision for "monetizing" debt. On the other hand, it *did not*

create a "central bank" of issue which could be controlled on a nationwide basis by predatory interests bent upon using the nation's banking facilities to serve selfish ends. The National Bank Act was by no means a perfect piece of monetary legislation; but compared with the vicious Federal Reserve Act which was passed 50 years later to supersede it, it was a pearl of wisdom.

The money-mischief in the early years following the Civil War was not so much the fault of the National Bank Act as it was the fault of the Rothschild's British and European banking "syndicate" which was represented here by the unctuous Belmont.

Something like 550 million dollars of United States bonds, by the terms of their issue during the Civil War, were payable in "Greenbacks." They had been sold at half price, that is for about $275 million in gold. The prospect of getting legislation through Congress to either make "Greenbacks" redeemable in gold; or make these particular bonds directly redeemable in gold was too intriguing a possibility for the syndicate to pass by.

So, since the Democratic Party seemed thoroughly defunct in the North (outside of New York City's Tammany Hall, that is), August Belmont gave the party $25,000 during the winter of 1867-68 and was rewarded by being made Democratic National Chairman. Then, as a controlling stockholder of the old *New York World,* Belmont caused that paper to strongly *oppose* the Syndicate's proposal that the above mentioned 550 million dollars of bonds be made payable in coin—instead of "Greenbacks." Opposition to that proposal became the main issue on which the Democrats (and many farming and laboring Republicans) agreed in the 1868 presidential election. The Republican leadership, which was all in favor of the Syndicate's scheme anyway, nominated General Grant as its candidate pledged to work for coin redemption of the Greenback-redeemable bonds. George H. Pendleton of Ohio led the forces which demanded that these bonds be paid in the Greenbacks, for which they had been issued, instead of coin, and was the chief contender for the Democratic nomination to run against Grant.

On July 4, 1868 the Democratic National Convention met at Tammany Hall in New York City with August Belmont as Chairman. On the 7th the Convention passed the following resolution:

> "Where the obligations of the Government do not expressly state upon their face, or the law under which they were issued does not provide that they shall be paid in coin, they ought in right and in justice, be paid in the lawful money of the United States."

In that mood, the Convention seemed ready to nominate Pendleton as its candidate. For 22 ballots he was the leading contender, but his name suddenly was withdrawn. A New York banker friend of Belmont's, named Horatio Seymour, was offered in his stead and elected as the candidate of the Democratic Convention on a single ballot.

From then until mid-October, Seymour waged a listless campaign but, even so, by the beginning of October it appeared that, in spite of everything, the Democrats had an excellent chance of winning.

Then, like a bolt out of a clear sky, Belmont's *New York World,* the supposed "mouthpiece" of the Democratic Party, on October 15th, little more than two weeks before the election, published a brief but ominous editorial to the effect that the Democrats could not possibly win with Seymour at their head; and that they should choose another candidate in his stead.

As Democratic National Chairman, Belmont did not allow any successor to Seymour to be named and the party went to the polls that November with its official candidate for president repudiated by the party's leadership. Even in this leaderless predicament the Democrats polled 2,648,830 votes for Seymour against 2,985,031 polled by the Republicans for Grant. The Democrats failed of a majority by only six percent of the whole number of votes cast. That six percent was the reward of "Democratic National Chairman" Belmont's treachery.

The so-called Credit Strengthening Act of March 18, 1869 was passed immediately upon the assembling of the new Congress elected in the 1868 election. It was the first act passed by that body and signed by the new President Grant. By virtue of that Act, the Government of the United States, without any consideration whatsoever, enhanced the value of the disputed bonds by 100 percent over the price at which they originally were sold by the Government.

The passage of that Act was equivalent to the payment to Rothschilds and their banker satellites in America and abroad of at least $275,000,000 over and above the amount they otherwise would have received in the form of interest and principal for the bonds they owned or controlled.

That $275,000,000 politically-engineered grab from American taxpayers by the predatory money powers was not their last act of injustice, by any means, but it serves well as an example and as a warning of what loathsome tactics the breed can devise to impoverish the people.

This particular chronicle regarding the financial aftermath of the Civil War will not be complete until we demonstrate for readers that, then as now, the international banking clan had its ropes on both major political parties. We have just seen how August Belmont, a "staunch (?) Democrat" jerked the rug from under the feet of his party's nominee for President in 1868.

Don't let that fool you! The bankers' syndicate also had its "Republican" operator, Joseph Seligman, to do chores which Belmont couldn't be seen doing in his Democratic garb.

Seligman, like Belmont, was born in Germany. He was sent to America in 1838, (a year later than Belmont) by his Frankfurt banker relatives in Seligman & Stettheimer. This firm had a "cozy" working arrangement with the Rothschilds.

We have seen how Belmont wriggled himself into close association with Secretary of State Seward and Secretary of the Treasury Chase. Wait until you hear this: Joseph Seligman's biographers claim that he was so intimate with President Lincoln that he was able to persuade Lincoln to name General Grant to supreme command of the Union forces! Frankfurter, House, Baruch, Rosenman, Sachs, *et al,* were *not the first* volunteer Presidential advisors!

It is a matter of public record *(Universal Jewish Encyclopedia,* vol. 5, page 83) that Grant (who knew war but certainly not money and banking) was much influenced by Seligman.

This authority says "He (Grant) offered the banker, Joseph Seligman of New York City, the post of Secretary of the Treasury in his Cabinet."

Seligman declined the offer. He would have been a chump to take it, in view of the fact that his own banking firm—with offices in New York, San Francisco, New Orleans, Frankfurt, London and Paris—hit the *jack pot* with Grant's election.

The authority that has just been cited says (in vol. 9, page 469) that "From 1868, with the exception of the two administrations of Grover Cleveland, Joseph Seligman's firm served as fiscal and naval agents of the United States."

(To be continued)